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10 UNITED STATES DISTRICT COURT

11 NORTHERN DISTRICT OF CALIFORNIA

12 SAN FRANCISCO DIVISION

13 WAYMO LLC,

14 Plaintiff,

15 vs.

16 UBER TECHNOLOGIES, INC.;

17 OTTOMOTTO LLC,

18 Defendants.

CASE NO. 3:17-cv-00939

**PLAINTIFF WAYMO LLC'S
OBJECTIONS AND PROPOSED
MODIFICATIONS TO THE
PENULTIMATE JURY INSTRUCTIONS
ON TRADE SECRET
MISAPPROPRIATION AND
SPECIAL VERDICT FORM**

Judge: The Honorable William Alsup

Trial Date: February 5, 2018

Waymo submits the following brief in response to the Court’s Penultimate Jury Instructions (Dkt. 2449) (the “PenJIs”) and Special Verdict Form (Dkt. 2449-1) (the “SVF”).¹ Waymo renews its request for a general verdict form, *see* Dkt. 1726, provided that the jury is separately asked to determine whether Defendants improperly acquired Waymo’s trade secrets. *See infra* Section I & II. Waymo also renews its request that the Court give the instructions Waymo proposed in the Joint PJs (Dkt. 1750) and in Waymo’s previous briefs (Dkts. 1729, 2077, 2130, 2171, 2190, 2196, 2229, 2230, 2232, 2278, 2351, 2397, 2406, 2411), to the extent not already included in the PenJIs.

I. THE PENJIS AND SVF SHOULD BE REVISED TO REFLECT THAT IMPROPER ACQUISITION IS NOT REQUIRED TO FIND USE OR DISCLOSURE.

The PenJIs and SVF incorrectly require Waymo to prove that “the defendant improperly acquired, *then* used or disclosed the Alleged Trade Secret” in order to succeed on its claims for trade secret misappropriation based on use or disclosure. *See* PenJI IV.2 (emphasis added). Neither the plain language of CUTSA and DTSA nor controlling authority require that improper acquisition be proven as a prerequisite to liability or damages for use or disclosure. *See* Dkts. 2278 at 3-5; 2077 at 1-2; 2230 at 1-2. Under CUTSA, the definition of misappropriation includes use or disclosure without first “improperly acquiring” a trade secret:

(b) “Misappropriation” means:

(1) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
(2) Disclosure or use of a trade secret of another without express or implied consent by a person who:

(A) Used improper means to acquire knowledge of the trade secret; or

(B) At the time of disclosure or use, knew or had reason to know that his or her knowledge of the trade secret was:

(i) Derived from or through a person who had utilized improper means to acquire it;

(ii) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

(iii) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; ...

Cal. Civ. Code § 3426.1(b). The same is true under DTSA:

(5) the term “misappropriation” means--

¹ Unless otherwise noted or redefined herein, capitalized terms are as defined in Waymo’s previous briefings on jury instruction issues.

- 1 (A) acquisition of a trade secret of another by a person who knows or has reason to
2 know that the trade secret was acquired by improper means; or
3 (B) disclosure or use of a trade secret of another without express or implied consent
4 by a person who--
5 (i) used improper means to acquire knowledge of the trade secret;
6 (ii) at the time of disclosure or use, knew or had reason to know that the
7 knowledge of the trade secret was--
8 (I) derived from or through a person who had used improper means
9 to acquire the trade secret;
10 (II) acquired under circumstances giving rise to a duty to maintain the
11 secrecy of the trade secret or limit the use of the trade secret; or
12 (III) derived from or through a person who owed a duty to the person
13 seeking relief to maintain the secrecy of the trade secret or limit the
14 use of the trade secret; ...

15 18 U.S.C. § 1839(5).

16 It is well-established, for example, that “[a] corporation misappropriates a trade secret when
17 (1) it discloses or uses the trade secret of another without express or implied consent, and (2) at the
18 time of the disclosure or use, it knew or had reason to know that its knowledge of the trade secret
19 was derived from a person who owed a duty to the entity seeking relief to maintain the trade secret’s
20 secrecy or limit its use.” *Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F. Supp. 2d 1111, 1117
21 (N.D. Cal. 1999) (citing Cal. Civ. Code § 3426.1(b)(2)(B)(iii)). It is **not** required that the corporation
22 improperly acquire the trade secret or derive knowledge of the trade secret from a person who had
23 improperly acquired the trade secret. Rather, it is misappropriation if a corporation uses the trade
24 secret with reason to know that its knowledge was derived from a person, such as an employee, who
25 owed a duty to the owner of the trade secret to maintain its secrecy. In fact, it is a recurring fact
26 pattern where a subsequent employer commits misappropriation by using or disclosing trade secrets
27 from an employee who first **properly** acquired knowledge of the trade secrets at his or her prior
28 employment subject to a duty to maintain their secrecy. By requiring improper acquisition, then use
or disclosure, the PenJIs and SVF improperly exclude this critical fact-pattern and would
significantly narrow the law to preclude liability for entire categories of trade secret cases.

The PenJIs’ and SVF’s failure to incorporate this improper-acquisition-free route to liability
and damages constitutes reversible error. It requires Waymo to prove additional unnecessary
elements and focuses the jury’s attention on the wrong issues—namely, whether Levandowski’s or

1 other former Waymo employees' acquisition of trade secrets was improper—when in fact that issue
2 is irrelevant if Defendants were aware that Levandowski and other former Waymo employees were
3 under an obligation to maintain the secrecy of Waymo's trade secrets. The burden on Waymo is
4 particularly acute given that it has limited trial time, the parties have not stipulated that Levandowski
5 acquired knowledge of the trade secrets improperly (or at all), and Levandowski has limited the
6 scope of discovery into his acquisition of the trade secrets by asserting his rights under the Fifth
7 Amendment. *See* PenJI XXVI.

8 After erroneously requiring that “the defendant improperly acquired, then used or disclosed
9 the Alleged Trade Secret” in the second element of PenJI IV, the PenJIs compound this error by
10 incorrectly defining the second element of proof in PenJI XIII to exclude all of the improper-
11 acquisition-free routes to liability and damages:

12 Turning to the second element of proof for a misappropriation claim for damages,
13 Waymo must also prove that the Alleged Trade Secret was used or disclosed by a
14 defendant without Waymo's consent and that said defendant either acquired
15 knowledge of the trade secret by improper means or at the time of use, knew or had
reason to know that its knowledge of the trade secret came through persons who had
acquired it by improper means.

16 Specifically, PenJI XIII excludes the alternate routes to misappropriation liability provided in Cal.
17 Civ. Code § 3426.1(b)(2)(B)(ii) and (iii) and 18 U.S.C. § 1839(5)(B)(2)(ii) and (iii) as replicated
18 and highlighted above, which provide for liability when the defendants knew or had reason to know
19 that their knowledge of the trade secret was “[a]cquired under circumstances giving rise to a duty to
20 maintain its secrecy or limit its use” or “[d]erived from or through a person who owed a duty to the
21 person seeking relief to maintain its secrecy or use.” PenJI IX, describing independent development
22 as opposed to misappropriation, similarly fails to include a description of these improper-
23 acquisition-free paths to liability and damages.

24 To remedy these defects, the Court should revise PenJIs IV, IX, and XIII to reflect that
25 improper acquisition is a separate basis for misappropriation and is not a prerequisite to
26 misappropriation by use or disclosure. In addition, the Court should revise SVF 1 and 5 to reflect
27 that the jury need not find improper acquisition before awarding unjust enrichment damages for use
28 or disclosure. These edits are marked in red in the attached Exhibit A, and are also reflected in

1 Exhibits B and C.²

2 **II. THE PENJIS SHOULD BE REVISED TO REFLECT THAT IMPROPER**
3 **ACQUISITION IS AN INDEPENDENT BASIS FOR AN INJUNCTION.**

4 Waymo is seeking an injunction from the Court in addition to damages from the jury. Such
5 an injunction may be based on the Court's finding of "actual or threatened misappropriation":

6 **Actual or threatened misappropriation may be enjoined.** Upon application to the
7 court, an injunction shall be terminated when the trade secret has ceased to exist, but
8 the injunction may be continued for an additional period of time in order to eliminate
9 commercial advantage that otherwise would be derived from the misappropriation.

10 Cal. Civ. Code § 3426.2(a); *see also* 18 U.S.C. § 1836(b)(3) (similar). Per CUTSA's and DTSA's
11 plain language, a jury need only find that Defendants misappropriated Waymo's trade secrets—not
12 that Waymo was ***damaged*** by that misappropriation—to find misappropriation sufficient to support
13 an injunction. Thus, even though the Court has precluded any "***recovery*** theory . . . ***for damages***
14 based solely on misappropriation by acquisition," Dkt. 2495 at 1 (emphasis added), Waymo will
15 still be entitled to injunctive relief based on a jury finding of misappropriation by improper
16 acquisition. *See also* Dkt. 2077 at 1-2 (demonstrating that improper acquisition alone is an
17 independent basis for misappropriation liability).

18 Because the Court may impose an injunction based solely on a jury finding of improper
19 acquisition, the jury must be asked to decide whether each Defendant improperly acquired each
20 trade secret and must not be told that it can choose not to answer questions regarding improper
21 acquisition if it does not find use or disclosure. *See* SVF 1 and 5 ("If you answer 'No' as to any
22 column, then you need not consider and need not answer as to the other columns for that particular
23 Alleged Trade Secret, although you may do so if you wish."). Moreover, because improper
24 acquisition is not a predicate to liability for use or disclosure, the instruction in SVF 1 and 5 that the
25 jury need not answer as to enforceability, or use or disclosure, if they find no improper acquisition
26 is incorrect and must be revised. Accordingly, Waymo proposes separate jury questions on
27 improper acquisition. These edits are marked in **red** in Exhibit A. *See also* Exhibits B & C.

28 ² Exhibit A contains Waymo's proposed edits to the PenJIs with each edit marked in a color
corresponding to the issue raised in this Response. Exhibits B (clean) and C (redline vs. Dkt. 2449-
1) reflect Waymo's cumulative proposed edits to the SVF.

1 **III. THE PENJS SHOULD BE REVISED TO ADDRESS LIABILITY FIRST AND**
2 **DAMAGES SECOND, INSTEAD OF CONFLATING THE TWO.**

3 The PenJIs currently conflate liability and damages on Waymo’s claim for trade secret
4 misappropriation. PenJI III confusingly launches into a detailed discussion of Waymo’s theories of
5 damages—including an unnecessary and distracting description of theories that have been precluded
6 and will not be asserted—before any discussion of liability. PenJI IV then prejudicially
7 characterizes Waymo’s claim as a “claim for unjust enrichment based on alleged misappropriation,”
8 not a trade secret misappropriation claim, and requires that Waymo prove the elements for damages
9 in order to prove its claim. As Waymo is seeking injunctive relief as well as damages, Waymo
10 should be given the opportunity to prove trade secret misappropriation separately from any
11 consideration of damages. To compound this confusion, the PenJIs inconsistently refer to Waymo’s
12 claim as a “misappropriation claim,” PenJIs V & XVII, and “a misappropriation claim for damages,”
13 PenJI XIII. The Court should separate the elements of liability and damages with the least disruption
14 to the existing scheme by: (i) moving PenJI III as revised to before PenJI XVII; (ii) revising PenJI
15 IV to address only the elements of trade secret misappropriation; (iii) adding a version of PenJI IV
16 before PenJI XVII to address the elements of unjust enrichment damages alone; (iv) removing
17 confusing references to theories not being pursued, including by deleting PenJI XVIII; and
18 (v) making these and other edits in orange in Exhibit A to implement these changes.³

19 **IV. PENJI XVI SHOULD BE REVISED TO GIVE “USE” ITS PROPER SCOPE.**

20 The definition of “use” in PenJI XVI should be expanded to reflect controlling law by
21 capturing any type of actual use that “reduces the value of the trade secret to the trade secret owner.”
22 *Agency Solutions.Com, LLC v. TriZetto Grp.*, 819 F. Supp. 2d 1001, 1028 (E.D. Cal. 2011).
23 Specifically, the jury should be instructed that “actual use” includes not just studying or copying,
24 but other means of exploiting Waymo’s trade secrets, such as accelerating Defendants’ product
25 development timeline, using Waymo’s trade secrets to modify or improve Defendants’ designs, and
26

27 ³ PenJI III already indicates that Waymo’s recovery of damages depends on proving use or
28 disclosure and that acquisition alone is insufficient. Repeating this in PenJI XVIII is unnecessary,
especially if PenJI III is moved to a similar position near the instructions on damages.

1 experimenting with Waymo's trade secrets without producing a marketable product. As detailed
2 below, the Court should therefore make the edits in blue to PenJI XVI in Exhibit A.

3 ***Acceleration of Product Development.*** PenJI XVI should be modified to reflect that "use"
4 of a trade secret includes using the trade secret to learn how to accelerate a misappropriator's
5 development timeline. This flexible view of use finds broad support in case law. For example, the
6 court in *Agency Solutions* cited the Ninth Circuit (which in turn cited the Restatement of Unfair
7 Competition) in applying a broad definition of "use" to CUTSA:

8 There are no technical limitations on the nature of the conduct that constitutes "use" of
9 a trade secret for purposes of the rules stated in Subsection (b) [of Idaho's version of
10 the UTSA]. As a general matter, any exploitation of the trade secret that is likely to
11 result in injury to the trade secret owner or enrichment to the defendant is a "use" under
12 this Section. Thus, marketing goods that embody the trade secret, employing the trade
secret in manufacturing or production, relying on the trade secret to assist or accelerate
research or development or soliciting customers through the use of information that is
a trade secret all constitute "use."

13 Restatement (Third of Unfair Competition § 40, cmt. c (1995) (citation omitted)). The
14 term "use" in the in the context of misappropriation of a trade secret generally
15 contemplates some type of use that reduces the value of the trade secret to the trade
secret owner.

16 *Agency Solutions.Com*, 819 F. Supp. 2d at 1028 (quoting *JustMed, Inc. v. Byce*, 600 F.3d 1118 (9th
17 Cir. 2010)). Here, where the parties have yet to commercialize their products, Defendants may have
18 benefitted from Waymo's trade secrets not just by incorporating Waymo's designs into their own
19 designs, but by learning from Waymo's mistakes and false starts in the development process, using
20 Waymo's early prototypes as a starting point for their own designs, and building off of Waymo's
21 innovations in creating their own prototypes. The definition of "actual use" should include these
22 elements, particularly given the Court's instruction on negative trade secrets in PenJI VIII.

23 ***Modifications or Improvements to a Design.*** PenJI XVI should also reflect that actual use
24 of a trade secret can involve more than producing and selling an identical product. Actual use occurs
25 where a defendant modifies a competitor's prototype before releasing its own version:

26 Lastly, as mentioned above, Histogen argues it has not misappropriated the Bioreactor
27 Method or Concentration System trade secrets because it does not use several of the
28 claimed elements. (MSJ 15–19, 20.) However, this argument misunderstands the law
on this point. In the context of trade secret misappropriation, information may be
improperly "used" in that it is unlawfully acquired and then built upon or modified

1 before being disclosed or benefit derived. See, e.g., *Speech Tech. Assocs. v. Adaptive*
2 *Comm'n Sys.*, 1994 WL 449032 at *10 (N.D.Cal. Aug. 16, 1994) (finding
3 misappropriation where some of the technology used in the offending new products was
4 different from that claimed in the trade secret, but most of the functional aspects of the
5 trade secret technology were incorporated) (citing *American Can Co. v. Mansukhani*,
6 742 F.2d 314, 328–29 (7th Cir.1984) (“[A] party may not use another’s trade secret
7 even with independent improvements or modifications so long as the product or
8 process is substantially derived from the trade secret.”)). Accordingly, this scattershot
9 attempt to disclaim use of various elements of the claimed trade secrets does not
10 foreclose the possibility that Histogen’s process was not substantially derived from the
11 claimed trade secrets, even if it differed in specifics from the process described therein.

12 *SkinMedica, Inc. v. Histogen Inc.*, 869 F. Supp. 2d 1176, 1197 (S.D. Cal. 2012). Here, this
13 clarification is important because Waymo’s stolen trade secrets were embodied in research and
14 development prototypes.

15 Similarly, the jury should be instructed that Defendants can be held liable for incorporating
16 less than all of the elements of Waymo’s trade secrets into their own designs. A defendant cannot
17 dodge liability by selectively exploiting only a portion of its competitors’ trade secrets:

18 This is an overly narrow view of the meaning of “use” under the CUTSA. See
19 *SkinMedica*, 869 F. Supp. 2d at 1197 (“[T]his scattershot attempt to disclaim use of
20 various elements of the claimed trade secrets does not foreclose the possibility that
21 [defendant’s] process was not substantially derived from the claimed trade secrets,
22 even if it differed in specifics from the process described therein.”). “Employing the
23 confidential information in manufacturing, production, research or development,
24 marketing goods that embody the trade secret, or soliciting customers through the use
25 of trade secret information, all constitute use.” *PMC, Inc. v. Kadisha*, 78 Cal. App. 4th
26 1368, 1383 (2000). Moreover, “information may be improperly ‘used’ in that it is
27 unlawfully acquired and then built upon or modified before being disclosed or benefit
28 derived.” *SkinMedica*, 869 F. Supp. 2d at 1197 (citing *Speech Tech.*, 1994 WL 449032,
at *10 (finding misappropriation by use even though technology used in the offending
new products was different from that claimed in the trade secret, but many of the
technical and functional aspects were incorporated)); see also *O2 Micro Int’l Ltd. v.*
Monolithic Power Sys., Inc., 399 F. Supp. 2d 1064, 1072 (N.D. Cal. 2005) (“[I]nternal
experimentation with trade secret information not resulting in a market product can
constitute use.”). Under this broad definition of “use,” the Bank cannot avoid liability
for misappropriation by allegedly taking a bundle of trade secrets and not using the
entire bundle, but then selectively choosing which ones it would use.

29 *InfoSpan, Inc. v. Emirates NBD Bank PJSC*, 2015 WL 13357646, at *5 (C.D. Cal. May 6, 2015).

30 ***Internal Experimentation Not Resulting in a Market Product.*** PenJI XVI should be
31 amended to instruct the jury that a company’s internal experimentation or examination of a
32 competitor’s trade secret constitutes use, even where that experimentation does not result in a

1 marketable product:

2 Before discussing the evidence presented at trial, the parties dispute the definition of
3 “use.” The parties agree that use does not mean mere possession of a trade secret or
4 mere internal discussion within the company of a trade secret; the parties disagree over
5 whether internal experimentation can constitute use. Based on the California and
6 federal cases presented by the parties, the Court concludes that internal
7 experimentation with trade secret information not resulting in a market product can
8 constitute use. In *AT & T Communications v. Pacific Bell*, 1998 U.S. Dist. LEXIS
9 13459, at *8 (N.D.Cal.1998), the court rejected the defendant’s argument that, for
10 misappropriation and use to occur under the California UTSA, the trade secret
11 information must be sold to the plaintiff’s competitors or used to compete directly. As
12 recently stated in *PMC, Inc. v. Kadisha*, 78 Cal.App.4th 1368, 1383, 93 Cal.Rptr.2d
13 663 (2000), “Employing the confidential information in manufacturing, production,
14 research or development, marketing goods that embody the trade secret, or soliciting
15 customers through the use of trade secret information, all constitute use.”

16 *O2 Micro Int’l Ltd. v. Monolithic Power Sys., Inc.*, 399 F. Supp. 2d 1064, 1072 (N.D. Cal. 2005),
17 amended sub nom. *O2 Micro Int’l Ltd. v. Monolithic Power Sys., Inc.*, 420 F. Supp. 2d 1070 (N.D.
18 Cal. 2006), *aff’d*, 221 F. App’x 996 (Fed. Cir. 2007), and *aff’d*, 221 F. App’x 996 (Fed. Cir. 2007).

19 The current version of PenJI XVI does not adequately instruct the jury about how “use” can
20 occur even where Defendants have not yet developed a final product to compete with Waymo’s
21 designs. This instruction is important where, as here, neither party has reached the critical first-to-
22 market milestone. Trade secret misappropriation still occurs where a defendant’s use of a trade
23 secret falls short of commercialization or sale of a product embodying the trade secret. Trade secret
24 law punishes misappropriation even where the competitor never succeeded in commercializing the
25 information. *See, e.g., O2 Micro*, 399 F. Supp. 2d at 1072; *SkinMedica*, 869 F. Supp. 2d at 1197.

26 **V. PENJI X SHOULD BE AMENDED TO CLARIFY THAT COMBINATIONS OF**
27 **PUBLIC INFORMATION, IN CERTAIN CIRCUMSTANCES, CAN BE A TRADE**
28 **SECRET.**

PenJI X, in describing the level of secrecy required to prove that something is a trade secret,
may mislead or confuse the jury into believing that every aspect of a trade secret must itself be secret
for a trade secret to qualify as a trade secret. That is not the law. Indeed, in *United States v. Nosal*,
the Ninth Circuit explained that trade secrets may be comprised of compilations of public
information:

The thrust of Nosal’s argument is that the source lists are composed largely, if not
entirely, of public information and therefore couldn’t possibly be trade secrets. But he

overlooks the principle that a trade secret may consist of a compilation of data, public sources or a combination of proprietary and public sources. It is well recognized that

“it is the secrecy of the claimed trade secret as a whole that is determinative. The fact that some or all of the components of the trade secret are well-known does not preclude protection for a secret combination, compilation, or integration of the individual elements.... [T]he theoretical possibility of reconstructing the secret from published materials containing scattered references to portions of the information or of extracting it from public materials unlikely to come to the attention of the appropriator will not preclude relief against the wrongful conduct....”

Restatement (Third) of Unfair Competition § 39 cmt. f (1995); see also *Computer Care v. Serv. Sys. Enters., Inc.*, 982 F.2d 1063, 1074 (7th Cir. 1992) (“A trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, but the unified process design and operation of which in unique combination affords a competitive advantage and is a protectable trade secret” (internal citation omitted)); *Boeing Co. v. Sierracin Corp.*, 108 Wash.2d 38, 738 P.2d 665, 675 (1987) (holding that “trade secrets frequently contain elements that by themselves may be in the public domain but together qualify as trade secrets”). Expressed differently, a compilation that affords a competitive advantage and is not readily ascertainable falls within the definition of a trade secret.

844 F.3d 1024, 1042 (9th Cir. 2016), *cert. denied*, 138 S. Ct. 314 (2017); see also *02 Micro*, 399 F. Supp. 2d at 1074–75 (“Combinations of public information from a variety of different sources when combined in a novel way can be a trade secret. It does not matter if a portion of the trade secret is generally known, or even that every individual portion of the trade secret is generally known, as long as the combination of all such information is not generally known.”). Here, it is important that the jurors are not misled or confused by a reductionist argument, picking apart individual elements of Waymo’s trade secrets and attempting to identify public corollaries, when the trade secret as a whole is secret and has great value to Waymo from being secret. Accordingly, PenJI X should be edited as shown in **bright pink** in Exhibit A.

VI. PENJI XX SHOULD BE AMENDED TO REFLECT THAT EXPENSES HAVE ALREADY BEEN DEDUCTED FROM THE PARTIES’ DAMAGES ESTIMATES.

PenJI XX instructs the jury to first calculate the dollar amount of any unjust enrichment and then deduct Defendants’ reasonable expenses, including research and development costs, from that total. This instruction may result in double-deducting the “reasonable expenses” portion of the damages calculation because Waymo’s damages model already deducts reasonable expenses from the total damages estimate. Waymo will rely at trial on an accelerated development theory of unjust

1 enrichment, based on Uber’s own estimate that its acquisition of “NewCo” (that is, Ottomotto) could
2 shorten Uber’s development timeline by one or two years while reducing the risk associated with
3 its then-existing laser approach. *See* Trial Ex. 299 at 4. Uber’s own internal estimate of the value
4 of acquiring Ottomotto was calculated based on the incremental benefit of using Ottomotto’s
5 intellectual property *after* deducting acquisition costs and other reasonable expenses. In other
6 words, Uber’s own reasonable expenses have *already* been factored into any net benefit. Instructing
7 the jury to subtract reasonable expenses from a figure that already takes such expenses into account
8 would introduce confusion and could result in prejudicial double-deducting, thereby unfairly
9 reducing Waymo’s recovery.

10 To remedy this potential for double-counting, the Court should delete the sentence beginning
11 “Then subtract from that amount . . .” from the second paragraph of PenJI XX, as indicated in blue
12 in Exhibit A. In the alternative, at a minimum, the Court should modify that sentence as follows:
13 “Then subtract from that amount that defendant’s reasonable expenses, *including any independent*
14 *research and development expenses, unless such expenses have already been subtracted.*”

15 **VII. PENJI XXVI SHOULD BE AMENDED TO CLARIFY THAT THE JURY MAY**
16 **DRAW AN ADVERSE FIFTH AMENDMENT INFERENCE AGAINST**
DEFENDANTS, BUT NOT WAYMO.

17 The existing jury instruction on the Fifth Amendment, PenJI XXVI, presents two problems.
18 First, it allows the jury to draw an adverse inference against *Waymo*, even though Uber’s only
19 corroborating evidence for such an inference has been excluded. Second, it does not explicitly tell
20 the jury that it may draw an adverse inference against Defendants, even though case law supports
21 such an inference. The Court should revise this instruction as indicated in purple in Exhibit A.

22 **A. Defendants Lack A Viable Theory For an Adverse Inference Against Waymo.**

23 PenJI XXVI improperly permits the jury to draw an adverse inference against *any* party in
24 the case, *including Waymo*, from Levandowski’s invocation of the Fifth Amendment:

25 . . . That, however, would not necessarily be the same as being adverse to the
26 position of Uber or Ottomotto *or Waymo*. Before finding that the answer would
27 have also been adverse *to another party in the case*, you should consider all of the
other evidence and circumstances. You are not required to find that any answer by
him would have been adverse to him *or to any party herein*.

28 PenJI XXVI (emphasis added). This instruction contradicts the Court’s previous ruling that

1 Defendants may not present any evidence that could corroborate such an inference against Waymo.

2 In June 2017, the Court requested briefing on what adverse inferences, if any, could be drawn
3 from Levandowski's anticipated invocation of the Fifth Amendment. Dkt. 784. In response,
4 Defendants argued that no adverse inference should be drawn against them, claiming that, among
5 other things, (i) "there must be independent corroborating evidence of every fact on which an
6 inference is sought," Dkt. 821 at 3 (emphasis in original); *see also id.* at 10 (similar) (citing *Doe ex*
7 *rel. Rudy-Glanzer v. Glanzer*, 232 F.3d 1258, 1264 (9th Cir. 2000)) and (ii) the evidence would
8 show that Levandowski "is taking the Fifth because of the potential exposure associated with . . .
9 ensuring full payment of a \$120 million bonus from [Waymo]," *id.* at 1. Defendants stopped short
10 of actually requesting any adverse inference against Waymo, and have never articulated any other
11 theory by which Levandowski's invocation could result in an adverse inference against Waymo.
12 Subsequently, this Court ruled that "corroborating evidence" is required before any adverse
13 inference is allowed, *see* 11/14/17 Hr'g Tr. 107:15-16 (The Court: "There's got to be corroborating
14 evidence to support each question."). And after Waymo's MIL 1 Re: Bonus Theory pointed out
15 that Defendant's bonus theory was based on Uber's selective waiver of part, but not all, of a
16 privileged conversation, Dkt. 1566, the Court also excluded evidence regarding Defendants' "bonus
17 theory" on the grounds that the probative value of such evidence—even if believed—was
18 substantially outweighed by the risks of confusion, misleading the jury, and wasting time. Dkt.
19 1885 at 2. Although Uber suggested during the September Pretrial Conference that it could
20 corroborate the "bonus theory" with other evidence (9/27/2017 Hr'g Trans. 71:16-72:24), it has
21 never presented such evidence, nor shown why the evidence it purports to have is admissible under
22 FRE 403. *See, e.g., id.* at 85:18-20 (THE COURT: "what [Defendants] have on this alternative
23 theory is exceedingly weak. It's – I'm not even sure a rational jury could draw [the inference
24 regarding the bonus theory]"); 86:11-12 (THE COURT: "we don't have a single piece of evidence
25 that says he did it for [the reason proposed in the bonus theory] . . . [a]nd then you want to draw a
26 far-fetched, fantastic inference from that, that that's where the probative value comes in.").

27 As corroborating evidence is required for an adverse inference and Defendants cannot
28 provide any substantial corroborating evidence for why Levandowski's invocation of the Fifth

1 Amendment should result in an adverse inference against Waymo, the jury instructions should not
2 permit such an inference. This is particularly necessary given the significant prejudice Waymo
3 would suffer from any jury confusion in this area.

4 **B. PenJI XXVI Should Explicitly Instruct The Jury That It May Draw Adverse**
5 **Inferences Against Defendants.**

6 PenJI XXVI instructs the jury that it can assume Levandowski's answers would have been
7 adverse to his position, but stops short of authorizing the jury to draw an adverse inference against
8 Defendants, should it find such an inference justified. The following is the closest PenJI XXVI
9 comes to such a statement: "Before finding that the answer would have also been adverse to another
10 party in the case, you should consider all of the other evidence and circumstances." This cryptic
11 statement assumes—rather than clearly states—that an adverse inference is available, and runs
12 significant risk that the jury will be confused as to whether it is permitted to draw such an inference.
13 This confusion will be highly prejudicial to Waymo given Levandowski's central role in this case.
14 Cases from multiple circuits have held that an adverse inference against a former employee is
15 appropriate where, as here, the person invoking the Fifth Amendment is a key witness who shared
16 a close relationship with the defendant and retains a similar interest in the outcome of the litigation.
17 See Dkt. 818-4 at 4–9 (collecting case law on adverse inferences against former employers). In fact,
18 courts have concluded that *not* allowing the jury to draw an adverse inference against a former
19 employer is prejudicial to the party with the burden of proof, here Waymo, because it forces that
20 party to resort to less direct and more circumstantial forms of evidence. See *Cerro Gordo Charity*
21 *v. Fireman's Fund*, 819 F.2d 1471, 1482 (8th Cir. 1987); *Pac. Gas & Elec. Co. v. Howard P. Foley*
22 *Co.*, 1993 WL 299219, at *10 (N.D. Cal. July 27, 1993). And indeed, Levandowski was a **current**
23 Uber employee, not a **former** one when he initially pled the Fifth during his April 2017 deposition,
24 and during the period when the relevant Uber LiDAR development took place. This, combined with
25 the fact that Levandowski is a central figure in this case, weighs heavily in favor of instructing the
26 jury that it may hold Levandowski's invocation of the Fifth Amendment against his now-former
27 employers. See *Coquina Investments v. TD Bank*, 760 F.3d 1300, 1311 (11th Cir. 2014) (stating
28 that a witness's role as a "key figure" in a lawsuit supported an adverse inference instruction).

1 **VIII. PENJI XXVII SHOULD STATE THAT ANY RECOVERY AGAINST**
2 **LEVANDOWSKI IN A SEPARATE PROCEEDING WILL NOT OFFSET**
3 **DAMAGES AGAINST DEFENDANTS IN THIS PROCEEDING.**

4 PenJI XXVII properly instructs the jury to consider Defendants' liability without
5 considering whether Levandowski would be liable for the same conduct had he been joined in this
6 case, per the Court's ruling on Waymo's Motion in Limine No. 15. Dkt. 857 (granting Dkt. 1543);
7 *see also* 9/27/2017 Hr'g Tr. at 66:15-66:12 (instructing the parties that the "empty chair" defense is
8 prohibited). But to avoid jury confusion, the Court should make the edits to PenJI XXVII marked
9 in teal in Exhibit A, which clarify that the jury should assess damages against Defendants without
10 considering what recovery, if any, Waymo may receive from Levandowski in the separate
11 proceeding, which is irrelevant to the jury's inquiry.

11 **IX. THE COURT SHOULD DIRECT THE JURY TO ASSESS REASONABLE**
12 **ROYALTY DAMAGES IF THE JURY FINDS LIABILITY, REGARDLESS OF**
13 **ANY ASSESSMENT OF UNJUST ENRICHMENT DAMAGES.**

14 As previously addressed, Waymo has a Seventh Amendment right to a jury trial on its
15 CUTSA and DTSA claims in federal court, including its claim for reasonable royalties. Dkt. 2397
16 at 6-8 (citing *De Lage Landen v. Third Pillar*, 2011 WL 1627899, at *3 (E.D. Pa. Apr. 28, 2011)).
17 In addition, under DTSA (unlike CUTSA), a reasonable royalty is an equally available alternative
18 to unjust enrichment damages, and Waymo is entitled to elect its remedies. 18 U.S.C.
19 § 1836(b)(3)(B)(ii) (a plaintiff is entitled to, "in lieu of damages measured by any other methods,
20 the damages caused by the misappropriation measured by imposition of liability for a reasonable
21 royalty"); *see also* Dkt. 2077 at 4-7 (addressing treatment of royalty damages under DTSA). Thus,
22 the jury must be instructed on *both* unjust enrichment and reasonable royalty.

23 At present, PenJI XX and SVF 2 and 6 indicate that a second proceeding will only be held
24 if the jury finds liability, unjust enrichment, and "Zero" damages. This is incorrect for two reasons:
25 *first*, this improperly requires an additional finding of "unjust enrichment," instead of merely
26 liability, before making reasonable royalties available under DTSA; *second*, this improperly
27 indicates that reasonable royalties are available only if no unjust enrichment damages are found,
28 when in fact, the jury should determine reasonable royalties *regardless* of whether unjust enrichment
damages are found as an alternative measure of relief under DTSA. The Court should correct this

1 by removing reference to the second proceeding regarding reasonable royalties from SVF 2 and 6
2 to avoid confusion and editing PenJI XX to reflect that reasonable royalties (and exemplary damages
3 as limited by the amount of reasonable royalties) are available in *all* circumstances when the jury
4 finds a Defendant liable, regardless of the amount of unjust enrichment damages. *See 02 Micro*,
5 399 F. Supp. 2d at 1077-79. These edits are shown in Exhibit A in *green italics*. *See* Exs. B & C.

6 A second proceeding on reasonable royalties on any finding of liability will have practical
7 benefits as well. If, for example, the jury did not determine reasonable royalties and a jury award
8 of unjust enrichment damages were reduced to zero post-trial, Waymo would still be entitled to a
9 jury determination of reasonable royalties, *see, e.g.*, Dkt. 2077 at 4-7, and would also be entitled to
10 revisit the issue of exemplary damages as limited to twice the amount of reasonable royalties, *see*
11 Dkt. 2230 at 4-5. A “backup” jury finding on reasonable royalties would avoid having to then re-
12 try damages to the jury.

13 **X. THE PENJIS AND SVF SHOULD AVOID PREJUDICIAL LANGUAGE BY**
14 **SUBSTITUTING “CLAIMED” FOR “ALLEGED” THROUGHOUT.**

15 The PenJIs and SVF presently describe the trade secrets at issue as the “Alleged Trade
16 Secrets” and elsewhere refer to “alleged misappropriation.” The use of the word “alleged” is
17 prejudicial, as it may connote “*questionably* true or of a specified kind,” and is synonymous with
18 “supposed” and “so-called.” *Definition of Alleged*, Merriam-Webster Online Dictionary,
19 <https://www.merriam-webster.com/dictionary/alleged> (emphasis added). As the word “claimed”
20 lacks this prejudicial connotation, the Court should replace “alleged” with “claimed” throughout the
21 PenJIs and SVF (including with respect to the “Alleged Trade Secrets”), as reflected in **bold (black)**
22 in Exhibit A.⁴ *See also* Exs. B & C.

23 **XI. THE LAST SENTENCE OF PENJI XVII IS REDUNDANT, CONFUSING AND**
24 **SHOULD BE REMOVED.**

25 The final sentence of PenJI XVII is redundant and confusing and should be removed. This
26 instruction explains in detail that a “substantial factor” is one that a reasonable person would

27 ⁴ For brevity’s sake, Waymo has not included in Exhibit A those PenJIs which it objects to
28 solely on the ground of using “Alleged” rather than “Claimed” Trade Secret, but requests that the
Court make that change globally in the Instructions and Verdict Form.

1 consider having contributed to unjust enrichment, that it must be more than “remote or trivial,” and
2 does not have to be the only cause. PenJI XVII. Further explanation that “[c]onduct is not a
3 substantial factor in causing harm if the same harm would have occurred without that conduct”
4 merely duplicates what the previous three sentences explained, while adding references to “harm”
5 and “conduct.” These references are confusing because Waymo is not alleging “harm” and the
6 causation of unjust enrichment may stem from a variety of interacting forces, not a single course of
7 conduct. Removing this sentence as indicated in Exhibit A in **brown** will eliminate this potential
8 confusion and will not prejudice Defendants, as the model instructions from which this sentence is
9 drawn specify that it is optional. *See* CACI 430, Directions for Use.

10 **XII. THE COURT SHOULD ADD INSTRUCTIONS ON AGENCY AND**
11 **RATIFICATION.**

12 PenJIs XXIII-XXV address principles of agency and the relationships between Morrison &
13 Foerster, LLP, Stroz Friedberg, LLC and Defendants, as those concern Defendants’ potential
14 liability for trade secret misappropriation. However, the PenJIs are silent concerning several other
15 important relationships that directly impact Defendants’ potential liability—specifically,
16 Defendants’ responsibility for the acts of their employees, agents, directors and officers performed
17 within the scope of their authority. Defendants Uber and Ottomotto are a corporation and limited
18 liability company, respectively, and can only act through their employees, agents, directors and
19 officers. *See Potter Voice Techs., LLC v. Apple Inc.*, 24 F. Supp. 3d 882, 886 (N.D. Cal. 2014) (“It
20 is well established that corporations act through their employees”). Here, it is especially important
21 that the jury be instructed regarding when Uber and Ottomotto are responsible for the acts of
22 individuals such as Anthony Levandowski, Travis Kalanick, Lior Ron, and other officers, directors
23 and employees of Uber and Ottomotto. *See Daniels v. Select Portfolio Servicing, Inc.*, 246 Cal.
24 App. 4th 1150, 1171–72, 201 Cal. Rptr. 3d 390, 411 (2016), *review denied* (July 27, 2016) (finding
25 a principal liable to third parties for the wrongful acts committed by its agents). While Waymo
26 previously proposed such instructions based on the model instructions, *see* Dkt. 1750 at 12, 16, and
27 78, consistent with PenJIs XXIII-XXV, Waymo now proposes adding a single instruction on
28 agency, as indicated in Exhibit A in **bold**, in Proposed PenJI XXVIII.

1 DATED: January 29, 2018

QUINN EMANUEL URQUHART & SULLIVAN, LLP

2 By /s/ Charles K. Verhoeven

3 Charles K. Verhoeven

4 Attorneys for WAYMO LLC

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